

**KENT COUNTY CHAPTER, R.I.A.R.C.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1997**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
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Kent County Chapter, R.I.A.R.C.
REPORT ON CONTRACT COMPLIANCE
Calendar Year 1997

EXECUTIVE SUMMARY

The prior audit report for Kent County Chapter, R.I.A.R.C., issued October 14, 1994 by the Bureau of Audits, cited four recommendations, all of which have been implemented.

Based on our contract compliance engagement for the Calendar Years 1992 through 1997 we determined the following:

- A net settlement of \$2,031 is due to the Department of Human Services from the Provider as a result of excess per diem rates, for the period under review.
- There were net excess funds of \$217,428 in the Provider's Waiver, Day Programs and Semi-Independent Residential Program that should be recovered by the Department of Mental Health, Retardation and Hospitals or reprogrammed in accordance with applicable contract provisions and policy.
- The Provider is not reporting resident excess earned income as required by the Waiver Funded Residential Program contract with MHRH. MHRH should ensure that the Provider complies with that provision of the contract.

KENT COUNTY CHAPTER, R.I.A.R.C.

CALENDAR YEAR 1997

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May 23, 2000

Ms. Christine Ferguson, Director
Department of Human Services
600 New London Avenue
Cranston, RI 02920

Dear Ms. Ferguson:

We have examined the cost report submitted by the Kent County Chapter, R.I.A.R.C., for the calendar year 1997. As part of this examination, we reviewed the information submitted on the cost reports for 1992 through 1996 for the following DHS Funded Intermediate Care Facilities for the Mentally Retarded (ICF/MR).

<u>Facility</u>	<u>License Number</u>
Greenwich House	014
Coventry House	071
West Shore Road	077
Urban Avenue	080
Northbridge	147
Aberdeen	150
Titus Lane	204
Warwick Neck	280
Lakehurst	302

This report represents the audited Cost Report for the year ended December 31, 1997. For settlement purposes this report includes calendar years 1992 through 1996.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report.

Ms. Christine Ferguson, Director


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May 23, 2000

Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and to the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of Human Services (DHS) and to the director and staff members of the Kent County Chapter, R.I.A.R.C., for their assistance, and cooperation during the course of this engagement.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb



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May 23, 2000

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have examined the cost report submitted by Kent County Chapter, R.I.A.R.C., for the following MHRH funded programs for the calendar year 1997.

Programs

Adult Day Programs
Residential Waiver Program
Semi-Independent Residential Programs

This report represents the audited Cost Report for the year ended December 31, 1997. For settlement purposes this report includes calendar years 1992 through 1996.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and to the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

Ms. A. Kathryn Power, Director
Page 2
May 23, 2000

We wish to express our appreciation to the officials of the Department of Mental Health, Retardation and Hospitals (MHRH) and to the director and staff members of the Kent County Chapter, R.I.A.R.C., for their assistance, and cooperation during the course of this engagement.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Bureau of Audits

SMC:pb

KENT COUNTY CHAPTER, R.I.A.R.C.

CALENDAR YEAR 1997

SCOPE AND PURPOSE

The purpose of this examination was to audit the most current year cost report (1997) submitted by the provider of services funded by the Department of Mental Health, Retardation and Hospitals and the Department of Human Services and make settlements for that year and also make settlements for all prior unaudited years. The review of prior unaudited years (1992 - 1996) was limited to reviewing selected accounts and making adjustments based on risk factors developed through the testing of the current year accounts, the prior field audit, prior year cost reports and sampling.

By funding source the purpose of this audit was to determine:

DHS Programs

- whether expenses were allowable in accordance with the principles of reimbursement.
- through the verification of census records the total client days used in calculating audited per diem rates.
- if the clients' clothing funds, personal needs funds, and client wages were properly maintained in accordance with the prescribed guidelines.

MHRH Programs

- whether expenses reported per the cost reports were in accordance with the terms of the contracts.
- whether revenues were reported accurately on the cost reports.
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of DHS programs was made in accordance with the "Federal Medicare Principles of Reimbursement" issued by the Social Security Administration, Bureau of Health Insurance HIM-15 adopted by the State of Rhode Island with the exclusion of return of net equity and the approved providers' operating budgets.

Additionally, we have audited the Clients' Clothing Account Funds in accordance with the "Principles for Skilled Nursing and Intermediate Care Facilities," and the Clients' Personal Needs Funds in accordance with the "Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities."

Our audit of the financial records included verification of revenues and expenses through testing procedures which were deemed necessary in the circumstances.

KENT COUNTY CHAPTER, R.I.A.R.C.
CALENDAR YEAR 1997

BACKGROUND

Title 40.1-21-4 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health Retardation and Hospitals (MHRH) to be responsible for "planning and developing a complete, comprehensive and integrated statewide program for the developmentally disabled." Said programs may include but are not limited to: various type workshop activities, programs to alleviate and ameliorate developmental problems, physical activities, health consultation and transportation problems.

The Kent County Chapter, R.I.A.R.C., also known as the J. Arthur Trudeau Memorial Center, is located at 3445 Post Road, Warwick, Rhode Island and is governed by a twenty-member board of directors.



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July 20, 1999

Ms. Christine Ferguson, Director
Department of Human Services
600 New London Avenue
Cranston, RI 02920

Dear Ms. Ferguson:

We have performed the procedures enumerated below, which were agreed to by the Department of Human Services (DHS) and Kent County Chapter, R.I.A.R.C., (Center), solely to assist the users in evaluating the Center's assertion about their compliance with DHS's Principles of Reimbursement H.I.M.-15 to the service provider cost reports, Clients' Clothing Account Funds to DHS's Principles for Skilled Nursing and Intermediate Care Facilities and Clients' Personal Needs Funds to DHS's Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1992 through 1996 which allows us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports based on that strategic plan. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Based on the application of the procedures referred to above, we determined a final rate settlement for the ICF/MR's for the calendar years 1992 through 1996 with provisions of DHS's Principles of Reimbursement H.I.M.-15, and determined ending client fund balances for the calendar years 1992 through 1996 with provisions of DHS's Principles for Skilled Nursing and Intermediate Care Facilities, and Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities.

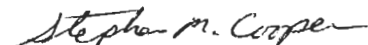
Ms. Christine Ferguson, Director
Page 2
July 20, 1999

These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the Center's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of DHS and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb



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July 20, 1999

Ms. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Kent County Chapter, R.I.A.R.C., (Center), solely to assist the users in evaluating the Center's assertion about their compliance to the financial terms and conditions contained within the Day Program Service for Developmentally Disabled Citizens contracts during the calendar year 1997. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1992 through 1996 which allowed us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports for calendar years 1992 through 1996 based on that strategic plan. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we made a determination as to the reasonableness of allowable costs based on the "prudent person rule," accuracy of reported activities and if any overall surplus funding was provided by MHRH. Based on the application of the procedures referred to above, we became aware of an overall surplus by MHRH for the calendar year (s) 1992 and 1995.

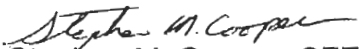
Ms. Kathryn Power, Director
Page 2
July 20, 1999

Further, there are instances of non-compliance with the reporting of residents' earned income to MHRH as required by the Wavier Funded Residential contract. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the Center's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

KENT COUNTY CHAPTER R.I.A.R.C., INC.
STATEMENT OF REVENUE AND EXPENSES - TOTAL
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL	ADMIN- ISTRATIVE	ADULT DAY PROGRAM	WAIVER RESIDENT PROGRAM	SEMI-IND RESIDENT PROGRAM	REC.	SCHOOL	WORKSHOP	AGENCY	EARLY INTERV.	OTHER
REVENUES											
State of Rhode Island											
Department of MHRH	\$ 7,099,023		2,865,237	4,181,586	27,099						25,101
Social Security Inc.	427,739			427,739							
City or Town Support	33,253					33,253					
School Departments	1,181,786						1,181,786				
Interest Income	180,729		45,543	78,607	576	3,131	24,438		7,758	16,545	4,131
Dues	2,300					2,300					
Special Events	20,985					20,985					
Respite	49,718										49,718
Unrestrict Donations	36,345					36,345					
Wrkshop Contract Inc.	147,830							147,830			
Other	43,477			34,010	2,949		182	1,359		4,977	
Medicaid	244,439									244,439	
Food	53,981		25,881			2,495	6,476				19,129
Client's Portion-Trans.	3,178		3,178								
Grants	93,539				3,539				90,000		
Gain on Sale of Equipment	7,781					7,781					
Gain on Stocks	132,590					132,590					
Rec Package Income	21,297					21,297					
Ei Orientation	686,441									686,441	
Visiting Nurses	209									209	
Unusual Expenditures	112,517					11,458			101,059		
Client Excess Funding	238,000								238,000		
Bingo	86,411										86,411
Beach House Program	10,076										10,076
Candy & Nuts	3,654										3,654
Condo's	78,551										78,551
Social Security	209,143										209,143
TOTAL REVENUES	\$ 11,204,992	-	2,939,839	4,721,942	34,163	271,635	1,212,882	149,189	436,817	952,611	485,914
EXPENSES											
Wages	\$ 7,284,454	464,013	1,758,092	3,034,403	22,251	120,877	943,390	130,639	12,614	638,692	159,483
Retirement	114,155	5,868	31,768	45,080	470	2,489	16,434			11,874	172
Health Insurance	464,780	14,906	127,947	225,198	1,523	3,747	68,800			22,659	
Other Fringes	6,967	4,388					2,579				
Consultants	420,454	131,671	38,690	56,556		676	57,132			77,002	58,727
Office Supplies	87,801	87,801									
Telephone	56,458	20,178	8,422	12,637		458	8,235			6,115	413
Travel-Motor Vehicle	136,951	2,462	48,137	54,258	978	2,338	5,372			14,651	8,755
Travel-Employees	3,580	793	2,160				627				
Conventions, Meetings	30,404	9,205	5,243	9,477		667	4,695			818	299
Adv.-Help Wanted	11,431	4,128	1,106	1,131		21	3,187			1,858	-
Licenses	6,458			6,208							250
Organizational Dues	20,874	20,874									

KENT COUNTY CHAPTER R.I.A.R.C., INC.
STATEMENT OF REVENUE AND EXPENSES - TOTAL
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL	ADMIN- ISTRATIVE	ADULT DAY PROGRAM	WAIVER RESIDENT PROGRAM	SEMI-IND RESIDENT PROGRAM	REC.	SCHOOL	WORKSHOP	AGENCY	EARLY INTERV.	OTHER
<u>EXPENSES - (Cont'd)</u>											
Computerized Payroll and Data Processing	24,398	24,398									
Legal Services	43,778	43,778									
Payroll Taxes	631,288	46,813	165,678	257,422	6,913	9,424	85,511			47,884	11,643
Insurance	251,180	15,682	84,509	85,792	1,701	7,623	26,954			16,927	11,992
Pres Cont. Fund	9,782	9,782									
Life Ins.-Ex Director	3,156	3,156									
Miscellaneous	6,762	2,813	23	270	688		2,253	715			
HCPA-Provider Tax	270,848			270,848							
Dues & Subscriptions	6,041	3,241	1,029				1,379			392	
Personal Needs	55,558			55,558							
Real Estate - Personal Prop. Taxes	5,873										5,873
Interest	3,971	239	1,508	1,326			456				442
Rent/Lease of Building	5,100		2,000								3,100
Lease of Equipment	4,340	4,340									
Building Depreciation	153,342	12,395	5,079	2,947		14,868	19,647		82,354	728	15,324
Building Impr. Depr.	17,318	175	9,263	1,342		2,011	3,181				1,346
Equipment Depr.	67,021	16,013	19,899	3,830		1,238	4,935		3,533	4,965	12,608
Motor Vehicle Depr.	106,092	4,885	38,081	39,923		6,532	11,872		163	537	4,099
Fuel	9,457			9,457							
Gas	59,550	7,868	15,909	17,263		6,485	6,780			2,016	3,229
Electricity	119,494	6,684	56,707	28,853		6,314	13,462			4,278	3,196
Water & Sewerage	21,896	1,218	12,955	4,853		272	927			429	1,242
Plant Supplies	21,646			18,553							3,093
Purchased Services and Repairs	200,098	9,062	85,160	59,758		8,997	37,121				
Food & Kitchen Suppl.	237,973		20,442	185,706		5,643	9,239				16,943
Linen, Laundry Suppl. & Service	2,246									2,246	
Postage	9,638	9,616					22				
Pharmacy Supplies	38,017			38,017							
Recreational Supplies	6,599			6,599							
Classroom Supplies	100									100	
Project Activity	1,188					588					600
General Supplies	51,837	799	15,211		11	237	14,763			7,194	13,622
Equipment Maintenance	1,061	1,061									
United Workshop	7,931							7,931			

KENT COUNTY CHAPTER R.I.A.R.C., INC.
STATEMENT OF REVENUE AND EXPENSES - TOTAL
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL	ADMIN- ISTRATIVE	ADULT DAY PROGRAM	WAIVER RESIDENT PROGRAM	SEMI-IND RESIDENT PROGRAM	REC.	SCHOOL	WORKSHOP	AGENCY	EARLY INTERV.	OTHER
Tuition	3,106		370			399	844			1,493	
Transportation	225,709		218,989							6,720	
Promotion	1,259	550									709
Maintenance Fee	40,297									8,997	31,300
Futures	174	174									
SUBTOTAL	11,377,408	991,029	2,774,377	4,540,782	34,535	201,904	1,349,797	139,285	98,664	878,575	368,460
Allocation of Administrative Expenses	0	(991,029)	249,737	431,036	3,161	17,171	134,008		42,536	90,726	22,654
TOTAL EXPENSES	11,377,408	-	3,024,114	4,971,818	37,696	219,075	1,483,805	139,285	141,200	969,301	391,114
Excess (Deficiency) of Revenue Over Expenses	(172,416)	-	(84,275)	(249,876)	(3,533)	52,560	(270,923)	9,904	295,617	(16,690)	94,800

See accompanying notes to financial information.

KENT COUNTY CHAPTER, R.I.A.R.C., INC.
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL ADULT DAY PROGRAMS	ADULT HABILITATION	ADULT DEVELOPMENT	SPECIAL ADULT DEVELOPMENT	BEHAVIOR SKILLS	SUPPORT EMPLOYMENT	TRANSPOR- TATION
<u>REVENUES</u>							
State of Rhode Island							
Department of MHRH	2,865,237	941,401	652,605	278,601	403,475	224,546	364,609
Interest Income	45,543	17,143	10,738	5,832	3,938	6,046	1,846
Food	25,881	25,881					
Clients Portion Transport	3,178						3,178
TOTAL REVENUES	2,939,839	984,425	663,343	284,433	407,413	230,592	369,633
<u>EXPENSES</u>							
Wages	1,758,092	661,714	414,545	225,119	152,016	233,456	71,242
Retirement	31,768	12,364	5,318	3,372	3,156	6,202	1,356
Health Insurance	127,947	66,317	34,048	13,405	413	10,381	3,383
Consultants	38,690	12,404	8,999	8,595	7,597	1,095	
Telephone	8,422	3,121	2,293	1,356	1,365	287	
Travel-Motor Vehicle	48,137	12,193	3,615	2,642	11,464	4,203	14,020
Travel-Employees	2,160	184	12			1,964	
Conventions, Meetings	5,243	1,441	224	221	331	3,026	
Adv.-Help Wanted	1,106	527	216	47	47	269	
Payroll Taxes	165,678	62,915	45,209	23,519	12,251	16,612	5,172
Insurance	84,509	30,296	14,709	9,508	7,541	7,138	15,317
Miscellaneous	23	9	14				
Dues & Subscriptions	1,029	374	83	64	64	444	
Interest	1,508			120			1,388
Rent/Lease of Building	2,000	2,000					
Building Depreciation	5,079	5,079					
Building Impr. Depr.	9,263	9,160		82		21	
Equipment Depreciation	19,899	18,856	591			452	
Motor Vehicle Depr.	38,081	7,952	772	208	208	4,297	24,644
Gas	15,909	3,026	4,753	2,584	2,304	3,242	
Electricity	56,707	34,741	9,419	4,567	4,567	3,413	
Water & Sewerage	12,955	5,119	3,565	2,068	2,067	136	
Purchased Services							
& Repairs	85,160	52,510	20,982	5,834	5,834		
Food & Kitchen Supplies	20,442	14,484	1,565	1,466	1,443	1,484	
General Supplies	15,211	8,675	1,835	1,540	1,567	1,527	67

KENT COUNTY CHAPTER, R.I.A.R.C., INC.
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL ADULT DAY PROGRAMS	ADULT HABILITATION	ADULT DEVELOPMENT	SPECIAL ADULT DEVELOPMENT	BEHAVIOR SKILLS	SUPPORT EMPLOYMENT	TRANSPOR- TATION
REVENUES							
EXPENSES - (Cont'd)							
Tuition	370	43	43	43	41	200	
Transportation	218,989						218,989
SUBTOTAL	2,774,377	1,025,504	572,810	306,360	214,276	299,849	355,578
Allocation of Administrative Expenses	249,737	94,708	58,617	31,832	21,495	33,011	10,074
TOTAL EXPENSES	3,024,114	1,120,212	631,427	338,192	235,771	332,860	365,652
Excess (Deficiency) of Revenue Over Expenses	(84,275)	(135,787)	31,916	(53,759)	171,642	(102,268)	3,981

See accompanying notes to financial information.

KENT COUNTY CHAPTER R.I.A.R.C., INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	TOTAL WAIVER PROGRAM COMBINED	TOTAL WAIVER PROGRAM STATE	CLIENT	GREENWICH HOUSE STATE	CLIENT	COVENTRY STATE	CLIENT	URBAN STATE	CLIENT	WEST SHORE ROAD STATE	CLIENT	NORTHBRIDGE STATE	CLIENT
REVENUES													
STATE OF RHODE ISLAND													
Department of MHRH	\$ 4,181,586	4,181,586		690,614		345,411		312,856		162,138		278,742	
Social Security Income	427,739		427,739		79,413	47,175		33,516		16,906			35,439
Interest Income	78,607	78,607		10,045		7,464		4,676		7,559		5,317	
Other	34,010	34,010				34,010							
TOTAL REVENUES	\$ 4,721,942	4,294,203	427,739	700,659	79,413	386,885	47,175	317,532	33,516	169,697	16,906	284,059	35,439
EXPENSES													
Wages	\$ 3,034,403	3,034,403		387,758		288,114		180,522		291,797		205,248	
Retirement	45,080	45,080		5,253		1,781		1,774		3,547		2,922	
Health Insurance	225,198	225,198		37,967		19,284		10,593		14,936		19,685	
Consultants	56,556	56,556		29,809		2,161		2,007		2,136		2,684	
Telephone	12,637	12,637		1,819		964		1,047		1,399		991	
Travel-Motor Vehicle	54,258	54,258		11,461		5,341		4,651		1,344		1,955	
Conventions, Meetings	9,477	9,477		1,772		947		1,010		618		634	
Adv.-Help Wanted	1,131	1,131		425		63		41		177		45	
Licenses	6,208	6,208		1,172		614		521		328		448	
Payroll Taxes	257,422	257,422		39,214		21,674		20,832		21,639		18,027	
Insurance	85,792	85,792		12,988		7,494		5,091		6,834		5,753	
Miscellaneous	270	270		122									
HCPA-Provider Tax	270,848	270,848		45,603		25,437		20,573		10,683		18,672	
Personal Needs	55,558		55,558		10,588	5,880		4,690		2,170		4,200	
Interest	1,326	1,326											
Building Depreciation	2,947		2,947										
Building Impr Depr.	1,342		1,342		440								
Equipment Depreciation	3,830	3,830		328		12		29		336		96	
Motor Vehicle Depr.	39,923	39,923		8,513		1,215		800		2,792		2,363	
Fuel	9,457		9,457		2,800		1,548	1,382					
Gas	17,263		17,263				1,097	510		1,733		2,090	
Electricity	28,853		28,853		3,464		3,540	1,641		1,999		2,121	
Water & Sewerage	4,853		4,853		2,415			541		403		1,201	
Plant Supplies	18,553		18,553		2,798		2,519	1,344		1,532		1,121	
Purchased Services													
& Repairs	59,758		59,758		8,132		7,332	2,633		3,998		4,161	
Food & Kitchen Supplies	185,706		185,706		37,777		16,283	16,023		9,384		13,950	
Linen, Laundry Supplies													
& Service	7,517		7,517		598		748	784		1,055		408	
Pharmacy Supplies	38,017		38,017		2,228		1,133	2,773		1,738		452	
Recreational Supplies	6,599		6,599		377		478	377		799		1,026	
SUBTOTAL	\$ 4,540,782	4,104,359	436,423	584,204	71,617	375,101	40,558	249,491	32,698	358,566	24,811	279,523	30,730
Allocation of Administrative Expenses	\$ 431,036	431,036		55,081		40,927		25,643		41,450		29,155	
TOTAL EXPENSES	\$ 4,971,818	4,535,395	436,423	639,285	71,617	416,028	40,558	275,134	32,698	400,016	24,811	308,678	30,730
Excess (Deficiency) of Revenues over Expenses	\$ (249,876)	(241,192)	(8,684)	61,374	7,796	(29,143)	6,617	42,398	818	(230,319)	(7,905)	(24,619)	4,709

See accompanying notes to financial information.

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KENT COUNTY CHAPTER R.I.A.R.C., INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1997

ACCOUNT DESCRIPTION	ABERDEEN STATE	CLIENT	2001 WEST SHORE STATE	CLIENT	981 GREENWICH STATE	CLIENT	WOODSIDE STATE	CLIENT	COMMUNITY LIVING STATE	CLIENT	TITUS STATE	CLIENT	LAKEHURST STATE	CLIENT
REVENUES														
STATE OF RHODE ISLAND														
Department of MHRH	442,039		336,211		222,741		168,003		558,287		334,066		330,478	
Social Security Income		51,437		39,981		22,893		20,488		2,344		39,790		38,357
Interest Income	6,920		7,525		3,308		3,432		6,928		8,609		6,824	
Other														
TOTAL REVENUES	448,959	51,437	343,736	39,981	226,049	22,893	171,435	20,488	565,215	2,344	342,675	39,790	337,302	38,357
EXPENSES														
Wages	267,126		290,502		127,690		132,471		267,432		332,329		263,414	
Retirement	3,535		8,329		1,068		3,323		7,049		3,626		2,873	
Health Insurance	6,844		30,005		18,652		10,879		10,898		28,116		17,339	
Consultants	2,214		2,168		1,963		1,970		3,282		4,059		2,103	
Telephone	971		1,207		879		677		458		1,093		1,132	
Travel-Motor Vehicle	5,961		4,756		1,320		4,504		6,314		792		5,859	
Conventions, Meetings	563		867		284		348		620		952		862	
Adv.-Help Wanted	61		66		28		30		60		76		59	
Licenses	692		538		356		280		42		620		597	
Payroll Taxes	19,912		21,620		8,836		9,801		22,281		32,717		20,869	
Insurance	8,323		9,224		5,106		4,771		5,370		8,405		6,433	
Miscellaneous													148	
HCPA-Provider Tax	29,225		22,341		15,140		10,172		32,284		21,040		19,678	
Personal Needs		6,955		5,115		3,290		2,590			5,040			5,040
Interest	861		232								233			
Building Depreciation				398				2,947						
Building Impr Depr.											504			
Equipment Depreciation	779		316		118		104				1,627		86	
Motor Vehicle Depr.	7,819		5,288								8,770		2,363	
Fuel								1,252		861				1,614
Gas		3,672		2,456		1,429		126			2,035			2,115
Electricity		3,456		3,310		1,307		1,661		645	2,804			2,905
Water & Sewerage		1,129		636		(3,850)		1,155		259	463			501
Plant Supplies		2,250		1,572		692		1,233		757	1,116			1,619
Purchased Services														
& Repairs		5,367		7,502		6,172		3,085		2,689	4,248			4,439
Food & Kitchen Supplies		21,200		14,952		10,070		9,667		29	16,777			19,594
Linen, Laundry Supplies														
& Service		1,289		796		436		249		44	451			659
Pharmacy Supplies		8,976		5,053		478		469		52	12,750			1,915
Recreational Supplies		1,049		465		508		405			616			499
SUBTOTAL	354,886	55,343	397,459	42,255	181,440	20,532	179,330	24,839	356,090	5,336	444,455	46,804	343,815	40,900
Allocation of Administrative Expenses	37,945		41,266		18,138		18,817		37,989		47,207		37,418	
TOTAL EXPENSES	392,831	55,343	438,725	42,255	199,578	20,532	198,147	24,839	394,079	5,336	491,662	46,804	381,233	40,900
Excess (Deficiency) of Revenues over Expenses	56,128	(3,906)	(94,989)	(2,274)	26,471	2,361	(26,712)	(4,351)	171,136	(2,992)	(148,987)	(7,014)	(43,931)	(2,543)

See accompanying notes to financials

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KENT COUNTY CHAPTER, R.I.A.R.C.
CALENDAR YEAR 1997

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial information is presented on the accrual basis of accounting which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15. Under this basis, revenues are recognized in the period incurred.

Depreciation

Depreciation costs are based on the straight line method which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15.

Note 2 - Excess (Deficiency) of Revenue Over Expenses

The State's method of reimbursement for ICF/MR facilities is based solely on audited expenses and, therefore, does not take into account the excess or deficiency of revenue over expenses.

KENT COUNTY CHAPTER, R.I.A.R.C.

CALENDAR YEAR 1997

FINDINGS AND RECOMMENDATIONS

Status of Prior Audit Recommendations Calendar Years 1987 - 1991

Recommendation for DHS

1. The amount of \$39,597.36 should be recovered from Kent County Chapter, R.I.A.R.C., by the Department of Human Services in accordance with its current funding policy.

Implemented.

Recommendations for MHRH

Waiver Residential Program

2. Officials for the Department of MHRH should initiate steps to recover excess payments of \$4,386.00 for the calendar years 1987 to 1991 in accordance with contract provisions.

Implemented.

Semi-Independent Residential Program

1. Officials for the Department of MHRH should initiate steps to recover excess payments of \$10,870.00 for the calendar years 1987 to 1991 in accordance with contract provisions.

Implemented.

Early Intervention Program

2. Officials for the Department of MHRH should initiate steps to recover excess payments of \$10,620.00 for the calendar years 1987 to 1991 in accordance with contract provisions.

Implemented.

KENT COUNTY CHAPTER, R.I.A.R.C.
CALENDAR YEAR 1997

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

DHS Programs

Amounts Due To/(From) DHS

As a result of our examination, it has been determined that a net amount of \$2,116 is due to the Department of Human Services from Kent County Chapter, R.I.A.R.C.

The above settlement by facility is as follows:

<u>FACILITY</u>	<u>TOTAL</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
Greenwich House	\$ 87					87
West Shore Road	1,249					1,249
Titus Lane	1,533	8	1,525			
Lakehurst	(753)			(391)	(362)	
Total Due to DHS	\$ <u>2,116</u>	<u>8</u>	<u>1,525</u>	<u>(391)</u>	<u>(362)</u>	<u>1,336</u>

Recommendation

1. The amount of \$2,116.00 should be recovered from Kent County Chapter, R.I.A.R.C., by the Department of Human Services in accordance with its current funding policy.

MHRH Programs

Determination of Excess Funding

The Department of MHRH and the Providers have agreed "that in each particular contract year, any surplus incurred by the Provider in operating one or more of its programs, wherein funding for same is received by the Department of Mental Health, Retardation and Hospitals and/or the Department of Human Services, shall be used/can be used by the Provider to offset any losses incurred by the Provider in one or more of the

programs above-referred." Any net surpluses by each particular contract year incurred by the Provider "shall be returned to the State of Rhode Island in such manner as it may prescribe, or shall be used by the Provider in a manner which has been approved by written agreement with the State of Rhode Island." This policy is applicable to all MHRH contracts beginning with calendar year 1986. The application of this policy to the prior audit recommendations for the period 1987 to 1991 eliminates the excess funding that was determined by the audit prior to the agreement.

As a result of our audit it has been determined that there are excess funds in the amount of \$217,428 based upon the aforementioned policy and the individual contract requirements. The following is a summary of the individual program excesses or deficits and combined results for each year.

	<u>Net Excess</u>	<u>Day Program</u>	<u>Waiver Residential</u>	<u>Semi-Independent Residential</u>
1995	108,011	161,310	(49,331)	(3,968)
1992	<u>109,417</u>	<u>111,922</u>	<u>0</u>	<u>(2,505)</u>
Net Excess	<u>\$ 217,428</u>	<u>273,232</u>	<u>(49,331)</u>	<u>(6,473)</u>

	<u>Net Deficit</u>	<u>Day Program</u>	<u>Waiver Residential</u>	<u>Semi-Independent Residential</u>
1997	\$ (324,408)	(79,323)	(241,192)	(3,533)
1996	(220,661)	(42,706)	(163,394)	(14,561)
1994	(8,124)	(13,838)	0	5,714
1993	<u>(15,962)</u>	<u>(9,699)</u>	<u>0</u>	<u>(6,263)</u>
Net Deficit	<u>\$ (569,155)</u>	<u>(145,566)</u>	<u>(404,586)</u>	<u>(18,643)</u>

Recommendation

2. The amount of \$217,428 should be recovered from Kent County Chapter, R.I.A.R.C., by the Department of MHRH as excess funding or be reprogrammed by the Provider upon written agreement with MHRH in accordance with the applicable contract provisions and policy.

Details pertaining to this settlement by program are as follows:

Day Programs

The contract for the fiscal year ended June 30, 1998 states that "if the audit or calendar year cost report reveals that the total combined amounts of the payment under this Agreement is greater than the total combined reasonable allowable cost for the above specified program, the parties agree to recognize that the excess funding is that of other income over and above the Department funding at the discretion of the Department. However, should the excess funding be greater than other income, the Provider agrees to reimburse to the Department the difference of excess funding." Similar provisions were also in the contracts for 1992-1996. There were excess funds in 1992 and 1995.

<u>Year</u>	<u>Total Excess Funding</u>	<u>Excess Attributable to Non-MHRH Sources</u>	<u>Amount Due to MHRH</u>
1995	\$ 202,970	\$ 41,660	\$ 161,310
1992	168,879	56,957	111,922

Waiver Residential Program

The Waiver contract for the fiscal year ended June 30, 1998 stated that "if the audit or calendar year cost report reveals total payment to the Provider under the Agreement is greater than one hundred five (105%) percent of total allowable cost for the above specified programs covered by this agreement the parties agree that the excess funding over one hundred five (105%) percent will be returned to the Department by the Provider." This provision was also in the contracts for 1992 through 1996. There were no excess payments in this program.

Semi-Independent Residential Program

The contract for the fiscal year ended June 30, 1998 states that "if the audit of calendar year cost report reveals that the total combined amounts of the payment under this agreement is greater than the total combined reasonable allowable cost for the above specified program, the parties agree that the excess funding is that of other income over and above the Department funding and will be reprogrammed or distributed to other programs, at the discretion of the Department. However, should the excess funding be greater than other income, the provider agrees to reimburse to the Department the difference of excess funding." This provision was also in the contracts that covered the year's 1992 -1996. Based on the contract requirements, there were excess funds of \$5,714 in calendar year 1994 and no excess funding in any of the other years.

Review of Resident Funds

Our review disclosed that the Kent County Chapter, R.I.A.R.C., is not reporting residents' earned income which is required by Addendum III, Section K of the Waiver Funded Residential Program contract with MHRH. The contract states that "unless the parties otherwise agree to a different provision regarding a resident's earned income, resident income shall be treated in accordance with RI/DHS regulations relating thereto." Those regulations require that the monthly gross wages of all recipients have to be reported and we found no evidence that there was any agreement for different provisions.

Recommendation

3. MHRH should ensure that the provider is reporting residents' earned income in accordance with Addendum III, Section K of the Waiver Funded Residential Program.